

HART AREA PUBLIC LIBRARY

FINANCIAL STATEMENTS

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Hart Area Public Library	County Oceana
Audit Date 3/31/04	Opinion Date 7/23/04	Date Accountant Report Submitted to State: 8/12/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hendon & Slate, P.C.			
Street Address 711 West Main Street	City Fremont	State MI	ZIP 49412
Accountant Signature <i>Jodi DeKuniper, CPA</i>		Date 8/12/04	

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HART AREA PUBLIC LIBRARY

Library Board

<u>Appointed Official</u>	<u>Position</u>
Nancy Sterk	President
Valerie Johnson	Vice- President
Todd Metzler	Treasurer
Kay Butcher	Secretary
Sue Powers	Trustee
John Carlson	Trustee
Clancy Aerts	Trustee
Douglas Springstead	Trustee

Administration

Joan T. Lundborg	Library Director
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Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Library Board
Hart Area Public Library
Hart, MI 49420

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the Hart Area Public Library as of and for the year ended March 31, 2004 as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Hart Area Public Library Board. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hart Area Public Library as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
July 23, 2004

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HART AREA PUBLIC LIBRARY

Balance Sheet March 31, 2004

	General	Account Group		Total
	Fund	General Fixed Assets	General Long-Term Debt	(Memo Only)
Assets and Other Debits				
Cash	\$ 282,761	\$ -	\$ -	\$ 282,761
Certificates of Deposit	87,406	-	-	87,406
Due from Other Governmental Units	16,412	-	-	16,412
Reserved Cash	5,422	-	-	5,422
Building and Equipment	-	1,417,062	-	1,417,062
Amount to be Provided for Payment of Capital Lease	-	-	920,000	920,000
Total Assets and Other Debits	<u>\$ 392,001</u>	<u>\$ 1,417,062</u>	<u>\$ 920,000</u>	<u>\$ 2,729,063</u>
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$ 6,635	\$ -	\$ -	\$ 6,635
Deferred Revenue	3,687	-	-	3,687
Capital Lease	-	-	920,000	920,000
Total Liabilities	10,322	-	920,000	930,322
Fund Equity and Other Credits				
Fund Balance - Unreserved, Undesignated	344,983	-	-	344,983
Fund Balance - Designated	25,894	-	-	25,894
Fund Balance - Reserved	10,802	-	-	10,802
Investment in General Fixed Assets	-	1,417,062	-	1,417,062
Total Fund Equity and Other Credits	<u>381,679</u>	<u>1,417,062</u>	<u>-</u>	<u>1,798,741</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 392,001</u>	<u>\$ 1,417,062</u>	<u>\$ 920,000</u>	<u>\$ 2,729,063</u>

The Notes to the Financial Statements are an integral part of this statement.

HART AREA PUBLIC LIBRARY

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variances</u>
Revenues			
Local Sources			
Taxes	\$ 141,245	\$ 167,804	\$ 26,559
Contract Fees	18,388	16,248	(2,140)
Penal Fines	58,000	60,618	2,618
Interest	5,000	7,230	2,230
Fines	2,000	3,324	1,324
Donations - Memorials	1,942	89,605	87,663
Refunds/Reimbursements	500	1,250	750
Books Sold	500	803	303
Copier	1,000	1,413	413
Sale of Fixed Assets	-	4,373	4,373
Grants	<u>5,955</u>	<u>5,425</u>	<u>(530)</u>
Total Local Sources	234,530	358,093	123,563
State Sources-State Aid	<u>6,567</u>	<u>7,025</u>	<u>458</u>
Total Revenues	241,097	365,118	124,021
Expenditures			
Salaries and Wages	85,500	81,130	4,370
Payroll Taxes	7,200	6,207	993
Acquisitions - Books	31,533	27,628	3,905
- Periodicals	4,427	4,427	-
- Audio-Visual	6,398	6,381	17
Utilities and Telephone	13,000	9,629	3,371
Repairs and Maintenance	4,715	1,490	3,225
Capital Outlay	523,000	356,317	166,683
Insurance - General	7,500	5,542	1,958
Supplies - Collection Maintenance	3,364	3,364	-
- Computer Supplies	583	332	251
- Office Supplies	3,553	3,553	-
- Postage	1,750	1,713	37
- Promotional	1,500	1,039	461
Education	1,200	1,018	182
Professional and Contracted Services	14,760	7,633	7,127
Printing and Publishing	809	809	-
Rent	1,860	1,860	-
Debt Service			
Principal	30,000	30,000	-
Interest and Other Fiscal Charges	40,560	38,763	1,797
Miscellaneous	<u>695</u>	<u>544</u>	<u>151</u>
Total Expenditures	<u>783,907</u>	<u>589,379</u>	<u>194,528</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (542,810)</u>	(224,261)	<u>\$ 318,549</u>
Fund Balance - April 1		<u>605,940</u>	
Fund Balance - March 31		<u>\$ 381,679</u>	

The Notes to the Financial Statements are an integral part of this statement.

HART AREA PUBLIC LIBRARY

Notes to the Financial Statements
March 31, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

Hart Area Public Library was organized in 1967 to provide services for the City of Hart, Hart Township, Eldridge Township, Golden Township and Weare Township. In 1977, the Library was re-established as a District Library when the City of Hart and Hart Township filed resolutions under Public Act 164. The Library's Board consists of eight board members appointed by the City of Hart and Hart Township. The Hart Area Public Library is a separate reporting entity.

The financial statements include all activities of the Library. There are no governmental department, agencies, institutions, commissions, public authorities or organizations within the Library, which its appointed officials may exercise oversight responsibility, that have been excluded. Oversight responsibility is considered to be derived from the Library's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Also, using the same criteria above, the Library's financial statements include the accounts of all Library operations.

2. BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues.

Account Groups

General Fixed Asset Account Group - The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. Assets purchased are recorded as expenditures in the governmental funds and, subsequent to various dates, were capitalized at cost in the general fixed assets account group.

General Long-Term Debt Account Group - Long term debt expected to be financed from governmental funds are accounted for in this group of accounts, not in the governmental funds.

The account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

3. BASIS OF ACCOUNTING

All governmental funds utilize the modified accrual basis of accounting. Modification in such method from the accrual basis are as follows:

- A. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.
- B. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year end.
- C. Normally, expenditures are not divided between years by the recording of prepaid expenses.

4. ENCUMBRANCE ACCOUNTING

Encumbrance accounting is not used by the Library.

5. ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. There were no material over-expenditures during the audit year.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets for this budgetary fund was adopted at the line item level.

7. ECONOMIC DEPENDENCY

Based on current agreements, the majority of the Library's financing comes in the form of special assessments from two units of government. The assessment is paid in installments by the participating units over the Library's fiscal year.

NOTE B DEPOSITS

Legal or Contractual Provisions for Deposits and Investments. The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, states the Library by resolution, may authorize the Treasurer to invest surplus funds in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).

Notes to the Financial Statements (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Library funds are in several financial institutions and are carried at cost and consisted of the following:

	<u>Carrying Value</u>	<u>Market Value</u>
Cash on Hand	\$ 50	\$ -
Checking	18,247	27,466
Money Market - Building	5,422	76,447
Money Market - General	264,464	264,464
Certificates of Deposit	<u>87,406</u>	<u>87,406</u>
Total Deposits	<u>\$ 375,589</u>	<u>\$ 455,783</u>
FDIC Insured	\$ 105,653	\$ 114,872
Uninsured	50	-
Money Market Funds	269,886	340,911

Investments are normally categorized to give an indication of the level of risk assumed by the Library; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

NOTE C DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at March 31, 2004 consisted of the following:

City of Hart - Delinquent Taxes	\$ 6,911
Township of Hart - Delinquent Taxes	<u>9,501</u>
Total Due from other Governmental Units	<u>\$ 16,412</u>

Notes to the Financial Statements (Continued)

NOTE D CHANGES IN GENERAL FIXED ASSETS

	<u>04/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>03/31/04</u>
Furniture and Equipment	\$ 126,133	\$ 155,910	\$ 49,889	\$ 232,154
Building	<u>1,017,760</u>	<u>193,866</u>	<u>26,718</u>	<u>1,184,908</u>
Total	\$ 1,143,893	\$ 349,776	\$ 76,607	\$ 1,417,062

NOTE E LEASE AGREEMENTS - LONG TERM DEBT

The Library leases its facility from the City of Hart. The lease term is for three years, expiring January 1, 2004 with the option to renew. Commitment under this agreements is \$1,860 annually. Lease expense for the year ended March 31, 2004 was \$1,860.

Building Construction

The City of Hart Building Authority ("Lessee") will construct and equip for approximately \$950,000 a building to be located on property owned by the Lessor. The City of Hart and Lessee have entered into a Full Faith and Credit General Obligation Lease Contract whereby the City will lease the facility from the Building Authority.

The building will be constructed from Building Authority Bonds which will be repaid from lease payments received from the City of Hart. The lease will run for a period coterminous with the Building Authority Bonds.

Capital Lease

On January 29, 2003 the City of Hart and the Hart Area Public Library entered into an agreement whereby the Hart Area Public Library agreed to sublease the facilities as described above to be used for the legitimate public purpose of providing library services to the jurisdictional boundaries of the City. The Library promises to pay semi-annual lease payments to the City in an amount at all times to provide a sum sufficient to allow the City to make the semi-annual cash rental payments to the Building Authority. The Library pledges its limited tax, full faith and credit, general obligation to the payment of the rentals pursuant to the sublease, subject to the statutory and constitutional limits on the taxing power of the Hart Area Public Library. At the end of the lease term, the building and land will revert to the District.

The annual requirements to amortize long-term debt outstanding as of March 31, 2004 detailed as follows:

<u>Year Ended</u> <u>March 31</u>	<u>Capital</u> <u>Lease</u>
2005	\$ 74,990
2006	73,240
2007	72,015
2008	70,790
2009	74,477
Subsequent Years	<u>1,014,262</u>
Total Payments	1,379,774
Interest Portion	<u>459,774</u>
Principal Portion	<u>\$ 920,000</u>

Notes to the Financial Statements (Continued)

Changes in Long-Term Debt - The following is a summary of debt transactions of the Library for the year ended March 31, 2004:

	Capital Lease
Debt Outstanding, April 1, 2003	\$ 950,000
Debt Added During Year	-
Debt Retired During Year	<u>(30,000)</u>
Debt Outstanding, March 31, 2004	<u>\$ 920,000</u>

NOTE F FUND EQUITY

Reserved Fund Balances - Reserves of fund equity represent portions of fund equity not appropriated for expenditure or legally segregated for specific future use.

Designated Fund Balances - Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes but are not legally restricted.

The changes in the reserved and designated fund balances are as follows:

	<u>04/01/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>03/31/04</u>
Reserved Fund Balances				
Memorials - Robinson	\$ 5,135	\$ 245	\$ -	\$ 5,380
Building Fund	329,791	58,654	383,023	5,422
Designated Fund Balances				
Capital Improvements	6,586	95	-	6,681
Stabilization	<u>18,942</u>	<u>271</u>	<u>-</u>	<u>19,213</u>
Total Reserved and Designated Fund Balances	<u>\$ 360,454</u>	<u>\$ 59,265</u>	<u>\$ 383,023</u>	<u>\$ 36,696</u>

NOTE G ENDOWMENT FUND

The Community Foundation for Muskegon County holds an endowment fund which has been earmarked for Hart Area Public Library. The fund was created by a \$10,000 donation from a donor to the endowment during 2003. The value of this fund at March 31, 2004 was \$11,939.

NOTE H CONTINGENT LIABILITY

During the year the City of Hart Building Authority entered into an agreement with a contractor for the construction of a new Library. At the end of the project, the Building Authority determined that the roof of the new building was not completed properly and withheld \$45,000 until the roof was repaired. The Library's portion of the amount being withheld is approximately \$34,000. As of March 31, 2004, the contractor had not completed the repairs.

Notes to the Financial Statements (Continued)

NOTE I PROMISE TO GIVE

In 2004, Hart Area Public Library entered into an agreement with local townships using the Library facilities to help with the cost of the new building. Two townships agreed to pay a set amount per year for 20 years. Amounts are recognized as revenue in the period received.

	<u>Crystal</u>	<u>Weare</u>	<u>Total</u>
Balance of Promise to Give, April 1, 2003	\$ 15,200	\$ 12,350	\$ 27,550
Amount Received in 2004	<u>(800)</u>	<u>(650)</u>	<u>(1,450)</u>
Balance 2004	<u>\$ 14,400</u>	<u>\$ 11,770</u>	<u>\$ 26,100</u>